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E.O. 11652: ADS DECLAS 8/28/74

TAGS: EGEN, ECON, MT

SUBJ: GOM RELEASES DEVELOPMENT PLAN OUTLINE

REF: VALLETTA 1319

1. AS PROMISED IN DEPUTY PRIME MINISTER BUTTIGIEG'S ADDRESS
TO SVII MALTA INTERNATIONAL FAIR (SEE REFTTEL), OFFICE OF PRIME
MINISTER RELEASED FOR PUBLIC DEBATE "OUTLINE OF DEVELOPMENT PLAN
FOR MALTA, 1973-1980" ON AUGUST 28. PLAN INCLUDES FOLLOWING
OBJECTIVES:

A) POLITICAL-"DISCARDING CENTURIES OLD ROLE AS FORTRESS
IN INTEREST LONG SUCCESSION IMPERIALIST MASTER BY DISENGAGING
FROM POWER-BLOC AFFILIATIONS;

B) ECONOMIC-INCREASING PRODUCTIVE ACTIVITY SUFFICIENT
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TO DISPENSE AFTER 1979 WITH FOREIGN MILITARY PRESENCE THROUGH

INCREASE IN EMPLOYMENT AND EXPORTS AND BY BUILDING UP TO ECONOMIC TAKE-OFF WHICH CAN SUSTAIN AUTONOMOUS GROWTH (PLAN OUTLINE CARRIES CAVEAT SELF RELIANCE AND SELF DETERMINATION DO NOT MEAN SELF SUFFICIENCY);

C) SOCIAL-IMPROVEMENT IN LIVING STANDARDS.

2. TWO PRECEDING PLANS-1964-1969 AND 1969/1974- CRITICIZED FOR GEARING MALTA'S ECONOMY TO FINANCIAL AND DEFENSE AGREEMENT WITH U.K. OUTLINE STATES BOTH PREVIOUS PLANS PREMISED ON FINANCIAL AND FISCAL INCENTIVES AND ON MALTA'S INTEGRATION WITH BROADER EUROPEAN MARKET. INCENTIVES POLICY FAILED BECAUSE IT ATTRACTED WRONG SORT OF ENTREPRENEURS THROUGH "LAVISH AND INDISCRIMINATE AID." COMMON MARKET POLICY FAILED BECAUSE 1970 AGREEMENT DID NOT PROVIDE FOR EEC ASSISTANCE TO MALTA. OTHER WEAKNESSES PREVIOUS PLANS INCLUDED FAILURE DIVERSIFY TOURISM AND FAVORED TREATMENT FOR "GOOD NUMBER OF COMPARATIVELY WELL-TO-DO FOREIGNERS" WHO WERE GRANTED PRIVILEGES UNKNOWN IN ANY OTHER PART OF EUROPE." FAILURES PREVIOUS PLANS REFLECTED IN MOUNTING UNEMPLOYMENT, DECREASED EXPORTS, AND "ALARMING INCREASE IN THE RATE OF PUBLIC BORROWING" WHICH CURRENT MLP ADMINISTRATION INHERITED.

3. STATE SET BY MLP BOR ACHIEVEMENT OBJECTIVES PRESENT PLAN THROUGH MOBILIZATION AID FROM NUMBER OF SOURCES; INCREASED U.K. AND NON-U.K. CONTRIBUTION TO RENT AND SERVICES FOR MILITARY BASE; INITIATION RE-NEGOTIATION EEC AGREEMENT; AND REMOVAL DEPENDENCE MALTA POUND ON STERLING. OUTLINE CLAIMS CREDIT FOR MLP FOR DIVERSIFYING TOURISM AND FOR INCREASING DOMESTIC EXPORTS DURING SECOND HALF 1971 AND 1972 BY 42.7 PERCENT AND DURING JANUARY-JUNE 1973 BY 35 PERCENT. OUTLINE STATES INCREASED EXPORT PERFORMANCE EXPLAINED BY LACK OF UNREST AMONG PORT WORKERS AND IMPROVED LABOR RELATIONS IN INDUSTRIAL SECTORS; POLITICAL ACTION TO OPEN NEW MARKETS; AND GOVERNMENT EFFORTS LIMIT INCREASES IN COST OF LIVING.

4. OUTLINE ACKNOWLEDGES FINGE THUS FAR TURN DRYDOCKS INTO VIABLE VENTURE; HOWEVER, PROMISE HELD OUT OF MAKING DRYDOCKS PROFITABLE CONCERN THROUGH INCREASED PRODUCTIVITY AND DIVERSIFICATION INTO SHIPBUILDING AND ANCILLARY ENGINEERING LIMITED OFFICIAL USE

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INDUSTRIES.

5. MANPOWER. PREVIOUS GOVERNMENTS CRITICIZED FOR SEEKING SOLUTION CHRONIC UNEMPLOYMENT THROUGH ENCOURAGING EMIGRATION AND ABSORPTION UNEMPLOYED INTO GOVERNMENT SERVICE. AS ALTERNATIVE TO THESE "MORALLY CORRUPT" POLICIES LABOR GOVERNMENT ESTABLISHED PIONEER CORPS AS "MEDIUM-TERM ECONOMIC BUFFER" FOR DEPLOYING UNEMPLOYED ON PUBLIC PROJECTS AND GRADUALLY INTO PRIVATE AND

PUBLIC SECTORS AS OPENINGS OCCUR.

6. IN ORDER ENCOURAGE CONSENSUS FOR ITS ECONOMIC POLICIES, MLP PLAN OUTLINED PREMISES ESTABLISHMENT "INDUSTRIAL CONSULTATIVE AND MONITORING COUNCIL" ON WHICH REPRESENTATIVES OF WORKERS, EMPLOYERS AND GOVERNMENT INSTITUTIONS WILL BE INVITED TO SIT. IN SETTING STAGE FOR NEW PLAN OUTLINE ALSO CLAIMS MLP CREDIT FOR RESTORING ORDER IN FISCAL SHPERE AND DIVERSIFYING CURRENCY RESERVES DURING PAST TWO YEARS.

7. WITH DUE DEFERENCE TO THE NEED FOR FLEXIBILITY AND ALTERNATIVE STRATEGIES (I.E., CONTINGENCY PLANNING) OUTLINE SAYS FOLLOWING FIVE STRATEGIC AIMS TO BE SOUGHT:

A) PHASING OUT OF U.K. BASE;

B. MODERNIZATION OF DRYDOCKS;

C) SUBSTANTIAL AND SUSTAINED GROWTH OF EXPORTS, DIVERSIFIED BY PRODUCTS AND DESTINATION;

D) DEVELOPMENT INFRASTRUCTURE;

3) IMPROVEMENT SOCIAL SERVICES.

8. IN ORDER FINANCE PLAN OBJECTIVES, OUTLINE STATES FISCAL REFORMS HAVE BEEN CARRIED OUT TO UNABLE MALTESE TO INVEST IN THEIR COUNTRY AND REPRIATE CAPITAL. DIRECT GOVERNMENT PARTICIPATION IN NEW INDUSTRIAL ENTERPRISE IS ALSO PREMISED AS NECESSARY CONDITION FOR REMOVING SOME OF THE RISKS OF NEW VENTURES. OUTLINE STATES THAT IN VIEW OF RENT NOW BEING PAID FOR U.K. BASE AS WELL AS FOREIGN LOANS, RESOURCES FOR EARLY STAGES MORE THAN ADEQUATE. IN LATTER PHASE, HOWEVER, MALTA LIMITED OFFICIAL USE

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WILL ABSORB SURPLUS REGISTERED DURING FIRST PHASE AND WILL NEED ADDITIONAL FINANCIAL SUPPORT FOR INTERNATIONAL INSTITUTIONS "SUCH AS THE EUROPEAN INVESTMENT BANK AND THE WORLD BANK." OUTLINE CARRIES CAVEAT THAT DESPITE EXPANDING PUBLIC SECTOR INTO PRODUCTIVE FIELD MALTA WILL CONTINUE RELY ON PRIVATE INVESTMENT FOR MOST PRODUCTIVE ACTIVITIES.

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9. IN ADDITION, CREATION EXPORT ORIENTED INDUSTRIES, OUTLINE
ENVISAGES DEVELOPMENT SOME IMPORT-SUBSTITUTION.
TWO PROPOSALS FOR INDUSTRIALIZATION POLICY ARE CONVERSION
DRYDOCKS INTO VIABLE OPERATION AND ESTABLISHMENT GROUP
INDUSTRIES CENTERED AROUND MALTA DEVELOPMENT
CORPORATION AND PROPOSED NEW DEVELOPMENT
FINANCE COMPANY. MDC TO ACT AS HOLDING COMPANY FROM GOM. NEW
INDUSTRIES, BOTH PUBLIC AND PRIVATE, TO BE ORGANIZED BY
DEVELOPMENT FINANCE COMPANY WHICH WILL BE JOINTLY OWNED BY
GOM, WORLD BANK GROUP AND MALTESE COMMERCIAL BANKS.

10. DIRECT FOREIGN INVESTMENT WELCOMED WHEN IT COMBINES CAPITAL
AND MANAGEMENT KNOW-HOW WITH ACCESS TO MARKETS. JOINT VENTURES,
HOWEVER, PREFERRED. FOREIGN INVESTMENT TO BE SOUGHT FROM
COUNTRIES OUTSIDE COMMON MARKET WHICH WOULD PROFIT FROM POSSIB-
ILITY EXPORTING TO EEC AT REDUCED TARIFFS. JAPAN, AUSTRALIA, UNITED
STATES, CANADA, SWITZERLAND AND SWEDEN MENTIONED AS EXAMPLES.

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11. OUTLINE ENVISAGES PROVISION TWENTY THOUSAND FOUR HUNDRED
NEW JOBS. WITH LOSS SOME SIX THOUSAND FOUR HUNDRED JOBS AS

RESULT PROGRESSIVE WITHDRAWAL U.K. FORCES AND ANOTHER FIFTEEN HUNDRED JOBS REQUIRED TO ABSORB THOSE ON EMERGENCY LABOR CORPS AT END OF 1972. NET INCREASE IN GAINFULLY EMPLOYED WILL BE TWELVE THOUSAND FIVE HUNDRED. INCOME FROM GOODS AND SERVICES SOLD ABROAD TO INCREASE FROM 53.5 MILLION MALTA POUNDS IN 1972 TO 99.1 MILLION MALTA POUNDS IN 1979 OR 9.1 PERCENT PER YEAR. IMPORTS EXPECTED GROW AT RATE 6.5 PERCENT PER YEAR, FROM 77 MILLION MALTA POUNDS IN 1972 TO 119.8 MILLION MALTA POUNDS IN 1979. TOTAL INVESTMENT REQUIRED AT 1972 PRICES FOR FULFILLMENT PLAN OBJECTIVES IS 205 MILLION MALTA POUNDS. GDP EXPECTED GROW AT RATE 5 TO 6 PERCENT PER YEAR. EMIGRATION ASSUMED AT 3,500 PERSONS FOR 1973, GRADUALLY REDUCING TO 2,500 PERSONS FOR YEARS 1977 TO 1979. AGRICULTURE AND FISHERIES. CONSTRUCTION, GOVERNMENT, WHOLESALE AND RETAIL TRADES, AND BANKING INSURANCE SECTORS REGARDED AS OFFERING LITTLE SCOPE FOR INCREASED EMPLOYMENT. NEW EMPLOYMENT, THEREFORE, EXPECTED TO COME LARGELY FROM ESTABLISHMENT NEW INDUSTRIAL ENTERPRISES. AVERAGE INVESTMENT PER JOB CREATED WILL COME TO 10,000 MALTA POUNDS. OUTLINE NOTES PROJECTIONS FOR PRIVATE INVESTMENT ARE NOT BASED ON SPECIFIC INTENTIONS "SINCE THESE CANNOT BE ASCERTAINED" BUT ON ESTIMATES OF REQUIREMENTS FOR FULFILLMENT PLAN OBJECTIVES. OF PROJECTED NEW FIXED CAPITAL FORMATION TALLING 205.2 MILLION MALTA POUNDS DURING 1973-79, 78.2 MILLION MALTA POUNDS WILL BE FOR PUBLIC INVESTMENT IN INFRASTRUCTURE AND PRODUCTIVE ACTIVITIES; 66.3 MILLION MALTA POUNDS TO BE INVESTED IN MANUFACTURING; 24.5 MILLION MALTA POUNDS IN TRANSPORTATION AND COMMUNICATIONS; 14 MILLION MALTA POUNDS IN HOME OWNERSHIP; 7.2 MILLION MALTA POUNDS IN HOTELS; 6.1 MILLION MALTA POUNDS IN PRIVATE SERVICES; 4.1 MILLION MALTA POUNDS IN WHOLESALE AND RETAIL TRADES; 2.8 MILLION MALTA POUNDS IN CONSTRUCTION; AND 2 MILLION MALTA POUNDS IN AGRICULTURE AND FISHERIES. OF A PROJECTED PUBLIC SECTOR INVESTMENT IN PRODUCTIVE ACTIVITIES TALLING 41.4 MILLION MALTA POUNDS, NEARLY HALF IS ALLOCATED FOR THE DRYDOCKS (18.5 MILLION MALTA POUNDS), 9 MILLION MALTA POUNDS PROJECTED FOR TELECOMMUNICATIONS; 7.5 MILLION MALTA POUNDS FOR THE MALTA ELECTRICITY BOARD; 5 MILLION MALTA POUNDS FOR THE MALTA DEVELOPMENT CORPORATION; 0.6 MILLION MALTA POUNDS FOR THE NATIONAL AIRLINES, AND LIMITED OFFICIAL USE

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0.4 MILLION MALTA POUNDS EACH FOR MALTA GAS BOARD AND MILK MARKETING UNDERTAKING. OF A PROJECTED TOTAL INVESTMENT OF 49.3 MILLION MALTA POUNDS IN UNFRASTRUCTURE, THE LARGEST AMOUNT (11.3 MILLION MALTA POUNDS) IS ALLOCATED FOR HOUSING.

12. COMMENT THERE ARE, AS EXPECTED, NO RPT NO SURPRISE IN THE OUTLINE OF MALTA'S NEW SEVEN YEAR DEVELOPMENT PLAN. IT IS LARGELY AN EXPRESSION IN POUNDS AND CENTS OF THE ELECTORAL PLATFORM OF THE MALTA LABOR PARTY. IT IS EXPECTED, NEVERTHELESS, TO GENERATE CONSIDERABLE PUBLIC DEBATE IF, FOR NO OTHER REASON THAN THAT IT GIVES THE NATIONALIST OPPOSITION A TARGET ON WHICH TO

FOCUS ITS DISSATISFACTION.
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